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This is an advance proof copy of an IRS tax form. It is subject to change and OMB approval before it is officially released. You can check the scheduled release date on our web site (www.irs.gov).

If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

Publication 523 Draft Worksheet(s)

These draft worksheets from Publication 523, *Selling Your Home*, for tax year 2006, are only available on the Internet. Since they are drafts, they are subject to change. If a worksheet is revised, it will be reposted only if there is a change in the computation. When the final version of Publication 523 becomes available, these drafts will be removed.

Publication 523 explains the tax rules that apply when you sell your main home. Generally, your main home is the one in which you live most of the time. If you sold your main home in 2006, you may be able to exclude from income any gain up to a limit of \$250,000 (\$500,000 on a joint return in most cases). Use *Worksheet 1* to figure the adjusted basis of the home you sold. Use *Worksheet 2* to figure the gain (or loss), the exclusion, and the taxable gain (if any) on the sale. In some situations, you may also need to use *Worksheet 3* to figure a reduced maximum exclusion.

Comments and suggestions. We welcome your comments about these worksheets.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Worksheet 1. Adjusted Basis of Home Sold



Caution: See the Worksheet 1 Instructions before you use this worksheet.

1. Enter the purchase price of the home sold. (If you filed Form 2119 when you originally acquired that home to postpone gain on the sale of a previous home before May 7, 1997, enter the adjusted basis of the new home from that Form 2119.) 1. _____
2. Seller paid points for home bought after 1990. (See *Seller-paid points*.) Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1 2. _____
3. Subtract line 2 from line 1 3. _____
4. Settlement fees or closing costs. (See *Settlement fees or closing costs*.) If line 1 includes the adjusted basis of the new home from Form 2119, go to line 6.
 - a. Abstract and recording fees 4a. _____
 - b. Legal fees (including fees for title search and preparing documents) 4b. _____
 - c. Survey fees 4c. _____
 - d. Title insurance 4d. _____
 - e. Transfer or stamp taxes 4e. _____
 - f. Amounts that the seller owed that you agreed to pay (back taxes or interest, recording or mortgage fees, and sales commissions) 4f. _____
 - g. Other 4g. _____
5. Add lines 4a through 4g 5. _____
6. Cost of additions and improvements. Do not include any additions and improvements included on line 1 6. _____
7. Special tax assessments paid for local improvements, such as streets and sidewalks 7. _____
8. Other increases to basis 8. _____
9. Add lines 3, 5, 6, 7, and 8 9. _____
10. Depreciation allowed or allowable, related to the business use or rental of the home 10. _____
11. Other decreases to basis (See *Decreases to basis*.) 11. _____
12. Add lines 10 and 11 12. _____
13. **Adjusted basis of home sold.** Subtract line 12 from line 9. Enter here and on *Worksheet 2*, line 4 13. _____

Worksheet 2. Gain or (Loss), Exclusion, and Taxable Gain on Sale of Home

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Part 1 – Gain or (Loss) on Sale

1. Selling price of home 1. _____
2. Selling expenses (including commissions, advertising and legal fees, and seller paid loan charges) 2. _____
3. Subtract line 2 from line 1. This is the amount realized 3. _____
4. Adjusted basis of home sold (from *Worksheet 1*, line 13) 4. _____
5. Subtract line 4 from line 3. This is the **gain or (loss)** on the sale. If this is a loss, stop here 5. _____

Part 2 – Exclusion and Taxable Gain

6. Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter zero 6. _____
7. Subtract line 6 from line 5. (If the result is less than zero, enter zero.) 7. _____
8. If you qualify to exclude gain on the sale, enter your maximum exclusion. (See *Maximum Exclusion*.) If you do not qualify to exclude gain, enter -0- 8. _____
9. Enter the smaller of line 7 or line 8. This is your **exclusion** 9. _____
10. Subtract line 9 from line 5. This is your **taxable gain**. Report it as described under *Reporting the Sale*. If the amount on this line is zero, do not report the sale or exclusion on your tax return. **If the amount on line 6 is more than zero, complete line 11** 10. _____
11. Enter the smaller of line 6 or line 10. Enter this amount on line 12 of the *Unrecaptured Section 1250 Gain Worksheet* in the instructions for Schedule D (Form 1040) 11. _____

Worksheet 3. Reduced Maximum Exclusion

Keep for Your Records



Caution: Complete this worksheet only if you qualify for a reduced maximum exclusion. (See Reduced Maximum Exclusion.) Complete column (A). Fill in both columns (A) and (B) on lines 2 through 6 only if you are married filing a joint return.

- | | (A)
You | (B)
Your Spouse |
|---|--------------|--------------------|
| 1. Maximum amount 1. | \$250,000.00 | \$250,000.00 |
| 2a. Enter the number of days (or months) that you used the property as a main home during the 5-year period* ending on the date of sale. 2a. | | |
| b. Enter the number of days (or months) that you owned the property during the 5-year period* ending on the date of sale. If you used days on line 2a, you also must use days on this line and on lines 3 and 5. If you used months on line 2a, you also must use months on this line and on lines 3 and 5. (If married filing jointly and one spouse owned the property longer than the other spouse, both spouses are treated as owning the property for the longer period) b. | | |
| c. Enter the smaller of line 2a or 2b c. | | |
| 3. Have you (or your spouse, if filing jointly) excluded gain from the sale of another home during the 2-year period ending on the date of this sale?
NO. Skip line 3 and enter the number of days (or months) from line 2c on line 4.
YES. Enter the number of days (or months) between the date of the most recent sale of another home on which you excluded gain and the date of sale of this home 3. | | |
| 4. Enter the smaller of line 2c or 3 4. | | |
| 5. Divide the amount on line 4 by 730 days (or 24 months). Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.000 5. | | |
| 6. Multiply the amount on line 1 by the decimal amount on line 5 6. | | |
| 7. Add the amounts in columns (A) and (B) of line 6. This is your reduced maximum exclusion . Enter it here and on <i>Worksheet 2</i> , line 8 7. | | |

*If you were a member of the uniformed services or Foreign Service during the time you owned the home, see *Members of the uniformed services or Foreign Service* to determine your 5-year period.